New technology is emerging everywhere you turn these days, and with new technology comes faster and easier (not necessarily better mind you) ways to communicate with one another. In the construction industry, being able to communicate quickly, clearly and succinctly through new technology should mean fewer mistakes and more money saved. Ok, you can stop laughing now. But new technology only works if workers know the fundamentals of communication and are able to adapt to new processes.

In December 2012, MCCEI released The Critical Path report, a summation of the data and opinions MCCEI gathered from interviews with 126 of Maryland's construction executives. The results of The Critical Path provided MCCEI with a comprehensive understanding of the workforce issues Maryland's industry is facing and gave us the data we needed to dig deeper into finding out specifically where industry needs to better align with education programs and curriculum.

In Digging Deeper, the follow-up report to The Critical Path, MCCEI focuses on what kinds of further education, skills and training industry leaders believe would benefit Maryland's construction workforce. Among the top recommendations are computer technologies including BIM (Building Information Modeling), field experience, career readiness and business management. However, the largest topic of discussion was on communications and interpersonal skills.

The ability to write a standard business letter, or email, is becoming a rare skill in today's incoming workforce. It seems some even struggle to construct a proper sentence, not surprising given that young people can type faster with their thumbs than their hands and the level of thought is limited to 155 characters. @ LOL#thatscrazy. This makes it all the more difficult for an entry-level worker to be taken seriously in an industry driven by relationships with real people, not handheld devices with voice recognition software.

The construction business is evolving every day with new technologies like 3D printing, building automation and prefabrication/modularization. Workforce development, training and education need to evolve with it to stay competitive. The ability and the technological understanding of how a project goes

Continued On Page 15
Don’t Miss This New Tax Credit

The state of Maryland has a habit of passing tax credits that are so complicated to administer that they literally are not worth claiming for many taxpayers. These credits not only require you to apply to be certified as eligible for the credit, but you have to amend your income tax return in order to take the credit. This is because the state only determines the amount of credit you can actually receive after the tax returns from all taxpayers claiming the credit have been received. Fortunately, in the most recent legislative session, Maryland lawmakers passed a new credit which you can take the first time you file your tax return for 2014.

In order to determine if you are eligible for this credit, all you need to do is check the registration card of the vehicles owned by you or your company. The credit is for “Class F” vehicles which are commercial or farm vehicles used for pulling a trailer. The credit will be $400 per eligible vehicle, but is limited to the amount of your Maryland income tax for the year. If your company owns several large vehicles then now is the time to take a look at the registration cards and put a copy of their registrations in your tax file if the box for “class” has an “F”.

If you have any questions regarding this or any other Maryland income tax credit please contact your tax advisor.

Tim Stolz, CPA
MKS&H
Senior Tax Accountant

About MKS&H: McLean, Koehler, Sparks & Hammond (MKS&H) is a professional service firm with offices in Hunt Valley and Frederick. MKS&H helps owners and organizational leaders become more successful by advising them regarding their financial, technology and human capital management needs. Please visit www.MKSH.com for more information.
Making Maryland Magnificent

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A Year In Review
With Sincere Appreciation

It’s that time of year when many of us reflect on our challenges and on our successes. We analyze and contemplate what has worked and what has not worked. As entrepreneurs, decision makers, business owners, and optimists; we develop strategies for the New Year, using our past experiences and milestones as rulers, gauges, and guides.

As this year comes to an end, Verna and I would like to pass along a heartfelt and sincere “thank you” to each and every one of you who has, in some way, contributed to Maryland Construction Network’s success. Perhaps your firm has joined MCN. Maybe you’ve taken advantage of our effective and affordable marketing vehicles to grow your business. Perhaps you’ve attended our ever-popular Direct Connect Networking Events, Project Tours, or our Educational Programs. Possibly you’ve served as an ambassador; simply spreading the word about our grass roots and back to basics association. Regardless; we are most appreciative of your commitment to, and support of, Maryland Construction Network. We are genuinely humbled by our successes and appreciate those who have made success possible.

We’re hopeful you will enjoy a quick recap of “MCN – 2014” as you mark your calendars for “MCN – 2015”.

Through December 12th, MCN’s website has enjoyed over 2,868,000 hits for the year. These statistics reflect actual traffic: not “bots”, “worms”, or other automated processes that are not real people. The majority of these hits are from Maryland, DC, Virginia, Pennsylvania, West Virginia, Delaware, and New Jersey. Some MCN website followers view our website from all over the country, and around the world.

During the same period; 180,665 emails were sent via MCN weekly e-mail blasts. Our e-mail subscriber list grew from just shy of 3,400 prequalified subscribers at the beginning of the year to over 4,100 at year end; about a 20% increase during the course of one year.

If you were one of the 1,256 people who attended a MCN networking event or project tour this year; you’ve, no doubt, experienced the power of premier construction industry networking. This year’s events took us to Baltimore City (UB Law Tour & MD Zoo Penguin Exhibit Tour), Bowleys Quarters, Catonsville (twice), Ellicott City, Linthicum, and to Phoenix.

Next year, we’ve already scheduled events for Howard, Frederick, and Baltimore Counties and are in the process of planning events in various other counties throughout the state. With a vision to expand the geographical boundaries of your network; MCN will continue to afford you the opportunity to meet and cultivate new relationships; empowering you to enhance and grow your business.

Maryland Construction Network’s January Direct Connect is being supported and co-hosted by Industry Partner; Maryland Associated General Contractors. While other associations (AIABaltimore, SMACNA, & USGBC Maryland) have worked with MCN to co-sponsor joint association Project Tours; this is the first time an association has teamed with us to promote and encourage the use of our highly-regarded networking events as their networking event.

We are very pleased to be partnering with MD AGC and are optimistic this will be the start of a new trend and a new industry experience. MD AGC is striving to provide an improved networking experience for its membership while MCN is hopeful to facilitate collaboration and cooperation within the industry.

We have worked diligently and deliberately to provide venues and vehicles to help you promote your company to a broadened and ever-increasing group of members and guests in 2014. From our first member on April 26th 2013 (prior to our first Direct Connect on May 22nd, 2013), through the 12th of December 2014; membership has grown to exceed 270 member firms.

As a member, an advertiser, an ambassador, a sponsor, an industry partner, or as an active and faithful participant - you have played a most, or should we say, “the most
significant role” in Maryland Construction Network. Your unwavering participation and enthusiasm has caused others to gravitate to MCN.

With the continued support of our members and not-yet-members; and with the cooperation of association members such as AIABaltimore, Frederick Community College, Habitat for Humanity of the Chesapeake, MD AGC, MCCEI, NAWIC, NECA, SMACNA, and USGBC Maryland; Maryland Construction Network is positioned for unimaginable growth. Your decision to join Maryland Construction Network has benefitted your business and our business but, more importantly, our industry.

Please accept our heartfelt thanks and our best wishes for a happy, healthy, and prosperous New Year. May all the blessings of the holiday season be yours and your families’.

Rob Bertazon is the founder of MCN. For 27 years he was Vice-President of Joseph Bertazon & Sons, Inc, a local masonry subcontractor. Rob has also served as the Executive Director of the Masonry Institute of Maryland, The American Subcontractors Association of Baltimore and the Electric League of Maryland.

Verna Regler is Rob’s partner in MCN. Verna has extensive experience in the industry having worked for both a general contractor and a specialty subcontractor. Most recently, Verna was the Executive Director of BC&E for over 19 years before joining the MCN team.

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Time, Resources & Effort. How Much To Close A Sale?

Providing a detailed answer to that question is your organization's first step in developing a sales protocol - a powerful tool to chart the shortest possible course to your "next level" of sales growth.

A sales or business development protocol will give your organization an extremely clear picture of how best to deploy your resources so your team can focus on “genuine” sales opportunities and quickly disqualify those that aren't.

To create yours, you must accurately catalog, value, and assess every step your firm takes to close a sale. This detailed outlining of your sales process makes analyzing far easier and inefficiencies - and their related costs - will frequently jump off the page. Not to mention your team will be on the same page.

Merely completing the exercise should enable management to standardize - and substantially streamline - your selling approach. What's more, you will have identified important performance measures that can form the basis for a "continuous performance improvement” effort.

A comprehensive sales protocol also looks at how the prospect buys. You should accurately catalog the following:

- Your prospect’s chief "needs, wants, and concerns”.
- All the players involved in the buying process - and their specific roles.
- The type and source of the funds used for your kind of purchase.
- Capital?
- Operational Budget?
- Other?

Protocols treat each sales step as a separate “event." and in order to evaluate events, you must identify the precise resources required (yours and the prospect's). This includes any sales and marketing tools needed to sell the prospect - and tools the prospect may need to sell your proposition internally.

Finally, you will need to identify the "objective" of each step in the process. If you don't have a compelling reason for doing something, you should remove it. If it's not providing value to making the sale, stop doing it.

Want to maximizing profit margins and accelerating growth? Then pay the price to develop and/or update your sales protocol, follow it to the letter, and enjoy your increased level of sale success.

Jim Martin, is a sales consultant, motivator, coach, and author of “Ultimate Selling, The Art & Science of Sales Success” and “How to Prepare for a B2B Sales Call”. For more information, go to [www.ultimatesellingsolutions.com](http://www.ultimatesellingsolutions.com).

If you own an iPad, go to [www.UltimateSellingSeries.com](http://www.UltimateSellingSeries.com) where you can connect to the iBookstore and download a multi-touch, interactive eBook titled: “How to Prepare for a B2B Sales Call”.

Every edition of “Networked & Connected” is delivered via e-mail to 4,100+ construction industry professionals and is archived on MCN’s website for access to visitors from all reaches of the world-wide-web.

Is It Time For Your Company To Be Noticed?

Learn more about all of the affordable and effective MCN advertising programs by contacting Verna at 443.982.7329.
Selling Construction Business To Employees Can Be A Good Succession Plan

The next 5 to 15 years will see the largest transfer of business assets in U.S. history as the last of the baby boomers retire. A large number of construction businesses will be part of this trend, and owners of construction businesses need to consider their exit strategies.

Businesses are typically transferred by one of the following methods: sale to family, sale to third party, sale to employees, gift to family or liquidation. If a business owner wants the business to continue, and wants to receive fair value because of financial needs during retirement, he or she typically will not consider gifting or liquidating the business.

For contractors, the transition of the business has historically involved some form of transfer to one or more of the owner’s children. However, with demographic trends over the past several decades involving factors such as smaller families and substantial increases in post-secondary education, transferring the construction business to the next generation is a less viable solution than ever before. Quite simply, children of baby boomers have more career options than their parents’ generation had.

The nature of the construction industry often makes the sale of a construction business to a third party an ineffective succession planning option.

Because contractors have jobs, and jobs end and have

Continued On Page 10
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Continued From Page 8

to be replaced, construction businesses typically have a more volatile earnings stream compared to other industries. While construction businesses with strong track records and good earnings histories have sold to third parties, it is usually only when the business has substantial depth in management, which is not the norm for contractors.

Recent trends in the construction industry point to an increased number of business ownerships being transferred to key employees. Transitioning a construction company to key employees is realistically the only succession planning option available to business owners who wish to cash out, but who also want to see their successful business continue.

There are several realities that the owner needs to carefully consider before a successful transition to key employees can occur. First, the owner essentially buys himself out of the business with his own money. Key employees usually lack cash for the buyout, and might lack the ability to raise funds from commercial lenders on their own. Ultimately, the proceeds from the transfer of the business will come from its future earnings; the exiting owner will see pay out over time, typically five to 10 years after the business transfer.

Another factor that the construction owner needs to consider is that he or she most likely perceives the value of the business to be higher than what a fair market valuation would support, or what the key employee is willing to pay. The construction owner needs to understand that sweat equity does not necessarily correlate to business value.

In addition, the exiting owner might be surprised to learn that the new generation of owners might be willing to assume less risk than he or she did when starting the business. Typically, the way to bridge the gap in perceived business value involves extending the payout period, which means the exiting owner of the business assumes some risk during the transfer.

It often takes a minimum of five years to develop and execute an effective succession plan. During that time, the owner must identify the candidate or group that will succeed him or her, and then adopt and execute a win-win plan. Effective succession planning is a delicate and long process, and not simply a decision.

When properly planned, the sale of a construction business to key employees can be very successful and provide the best alternative for the business owner to achieve his or her desire of both a legacy and a financially rewarding retirement.

Need Help?

Contact Steve Ball, CPA, CVA, CCIFP, director of Gross Mendelsohn’s Construction Group, at sball@gma-cpa.com or 410.685.5512.

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The Section 199 deduction got plenty of attention when it was first introduced as part of the American Jobs Creation Act of 2004. But it’s since become just one of several complex but intriguing tax breaks that come into play at year end. Construction company owners should remember that much of what they do may still qualify them for this potentially valuable deduction.

**Acronym soup**

Popularly known as the “manufacturers’ deduction,” Sec. 199 entitles eligible taxpayers to a domestic production activities deduction (DPAD) based on the company’s domestic production gross receipts (DPGR) and qualified production activities income (QPAI) for the tax year.

For contractors, DPGR generally refers to gross receipts from the construction of real property performed in the United States in a construction trade or business. QPAI is the excess, if any, of DPGR over the sum of cost of goods sold allocable to DPGR and other expenses, losses or deductions allocable to DPGR. For tax years after 2009, the DPAD is equal to the lesser of: 1) 9% of the taxpayer’s QPAI for the taxable year, 2) 9% of the taxpayer’s taxable income for the taxable year, or 3) 50% of the taxpayer’s eligible Form W-2 wages for the taxable year.

**Eligible job tasks**

What job tasks do and don’t qualify for contractors? For starters, eligible construction activities include those directly related to the erection or substantial renovation of residential and commercial buildings and infrastructure. Substantial renovation includes structural improvements but not cosmetic changes (such as painting). Furthermore, “substantial renovation” is defined in the regulations as the renovation of a major component or substantial structural part of real property whereby that renovation:

- Materially increases the property’s value,
- Substantially prolongs the useful life of the property, or
- Adapts the property to a new or different use.

Real property is defined as buildings (including items that are structural components of such buildings), inherently permanent structures, inherently permanent land improvements, oil and gas wells, and infrastructure.

**Possible exceptions**

Some “tangential” activities performed by others — such as painting, hauling trash and debris, and delivering materials to the job site — generally don’t constitute DPGR on their own, even if such services are essential to an existing construction activity. But if a construction company performs these activities in connection with its other work involved in the erection or substantial renovation of real property, then some tangential activities may qualify as DPGR provided other basic requirements are met. Similarly, services such as grading, demolition, clearing and excavating, along with any other activities that physically transform land, generally don’t qualify on their own. But if these activities are performed in connection with a construction company’s other project tasks toward erecting or substantially renovating real property, they typically do become eligible for the Sec. 199 deduction.

**Worthwhile effort**

We’ve just scratched the surface regarding which activities may help a construction company claim the Sec. 199 deduction. Although the administrative demands of this tax break are significant, the potential savings on your tax bill could make the effort worthwhile. Consult your tax advisor on whether this deduction may apply to you and, if so, specifically how.

*Rivka Bier, CPA, MST* is a manager at Hertzbach & Company, P.A. in Owings Mills, Maryland, Rockville, Maryland and Arlington, Virginia. She can be reached at (410) 363-3200 or by emailing rbier@hertzbach.com.
Ring In The New Year With Strategies To Foster Financial Success

The New Year provides a great opportunity to review your finances along with your financial goals and objectives to ensure they are working in concert with one another and paving the way toward a bright financial future. Below are a few strategies to consider as you welcome in 2015.

Maximize your 401(k)

For 2015, the IRS has increased that amount you can contribute to your 401(k) to $18,000. If you’re 50 or older, you can contribute an additional catch-up contribution of $6,000. Ask your employer what steps you need to take to increase your contributions.

Review your insurance policies

Ensure your family is protected. Now is a good time to consider whether any major life changes require the need for additional insurance. Changes such as the birth of a child, marriage, or a new job are indicators that you need to reevaluate the amount of life insurance coverage you currently have.

Establish a spending plan

Review your expenses last year and look at areas where you can reduce spending. Create a monthly budget and track your spending. Ask yourself the tough question: Do I really need this?

Pay Down Debt

If you owe money on credit cards, auto loans, and home loans to name a few; determine how much extra you can afford to pay during the year. The quicker you pay off these items, the closer you are to debt freedom.

Update your estate planning documents

The beginning of a new year is the perfect time for you to look over your estate planning documents and confirm everything is in accordance with your wishes, particularly if there have been any life changing events.

Business Owners – think outside the box on ways to reduce your costs and taxes

As Business Owner, there are many ways to reduce your costs and taxes and help you keep more money in your pockets. Take the time to seek out strategies and help from your CPAs and Financial Advisors. This year, learn about the Davis Bacon Prevailing Wage Retirement Plan. This small addition to your Traditional 401(k) plan, will allow you to save money on:

- Workers Compensation Insurance
- General Liability Insurance
- Payroll Taxes

You can learn more about this particular strategy by attending the January MCN workshop in our office.

In summary, there are many small steps and strategies which lead to large results over time. Focus on one strategy at a time. Most importantly, stick with it!

Financial Freedom and success does not happen overnight, but it can happen if you make it a priority.

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together is one key issue and our education system is really good at teaching those skills. Technical know-how, passion for building, the ability to communicate effectively and articulate complex issues in a manner where everyone from the client to projects managers, superintendents and skilled trades professional is where the next generation of leaders is going to come from.

MCCEI will continue to work with Maryland’s institutions and our industry partners to develop plans and craft solutions to fill the workforce pipeline with talent educated in Maryland, for Maryland.

As an industry-led organization, MCCEI welcomes anyone with an interest in the bachelor degree production shortage, image and talent attraction or articulations and alignment of industry and education to get involved by attending a taskforce committee meeting. For more information about the committee schedule or to receive a copy of Digging Deeper, please contact Karie Herringa at Kherringa@mccei.org.

MCCEI could not accomplish the mission of creating a world-class education system for Maryland without the tremendous support received from both our industry and education partners. Please visit our website for more information about our mission and to get involved with our other initiatives, www.mccei.org.

Bob Aydukovic, CRE is president of The Maryland Center for Construction Education & Innovation, (MCCEI) and has over 20 years of experience working in Maryland's construction, real estate and economic development sectors.

Do You Have A Hiring Conundrum?

Hiring good people is necessary, time consuming and often one of your biggest gambles. The hiring process has changed dramatically and how a company approaches recruiting may determine the quality and quantity of candidates. Hiring trends for 2015 show the job market is heating up and will require companies to consider how effective their recruiting strategies will be going forward.

Are you positioning your company to find the best talent or just looking to review as many applicants as possible?

Are you focused on disqualifying people who apply or are you proactively qualifying seeking top talent?

Is the person responsible for hiring in your company up-to-date, continually looking for potential candidates or are they filling roles as needed, with little thought to the bigger picture? Hiring misfires are costly and damaging not only to the top and bottom line but current employees, client trust and potentially to future candidates.

All good questions to consider and answer carefully.

Chris Jorgenson, Director of Marketing at F.M. Harvey shared a recent recruiting experience. “LinkedIn and the construction industry have an undeveloped relationship. A great deal of PM/estimator professionals don’t have a LinkedIn account or aren’t very active on the network, so our experience was that the response to our job posting was far less than you would get in more “tech savvy” industry.

Our posting resulted in a total of 18 applicants. A handful were totally not qualified, a few were out of area (we weren’t considering anyone out of state) and about seven or eight were legitimate contenders. We are reviewing the candidates now”

What can we learn from Chris’ observations? A proactive,
Are we or are we not in an economic recovery? You must try to answer this question in the context of how these confusing times are impacting your business. Here are some ideas from business owners and CEOs for moving your business forward while others around you are stuck.

- There is such a thing as the Lead/Lag Syndrome: the tendency we have to continue to think that the conditions we have been in for a while are still going on despite some evidence that things are changing. It works either way with the economy. We think we are still in good times as things are in decline. Or we get stuck in recession mode when a rebound is underway.

- So, what is really going on in the territory that your business serves and want to serve? What do the economic development people say? What do your customer contact people say? What do your customers say?

- Start by renewing your Vision for your company. Where do you want it to be in 2-5 years? How will you and your colleagues get it there? Why do you do what you do?

- Re-tool the staff. Are your people top-notch? Are they in the right jobs? Do the times dictate changes? Do you need more good people but that cash is not yet there to afford them?

- Determine ways to increase market share through marketing, sales, acquiring competitors or other businesses that fill strategic gaps. As the Baby Boomers retire, many businesses are becoming available. Some of those business owners are in a hurry to get out.

- Meet with customers. What more can your business be doing for them? What outcomes do they want that you can help them realize? What customer expectations are you able to meet regularly that differentiate your company from your competitors?

- Talk with former customers. What can your business do for them and what outcomes can you facilitate for them? They may be in Lag mode and need a nudge. Whoever is “serving” them may be ignoring them.

- Analyze any long-term contracts you have with your suppliers and service providers. Inquire about rent and price adjustments and potential product enhancements. What can they do to help you realize the outcomes you want?

- Would a new location and/or equipment energize your company and staff? Would it increase your territorial reach and/or expand your market share?

- What are the strategies that you can implement that would put you ahead of the competition by being in full production while they are still stirring in their sleep?

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**Biz Basics Q & A**

**Q**uestion: I am involved in a dispute that is going to mediation. What is mediation and how can I make mediation work for me?

**A**nswer: Legal disputes in the construction industry are unavoidable. Many construction contracts require that the parties attempt mediation before a lawsuit or arbitration can be instituted. According to Black's Law Dictionary, mediation is “a method of nonbinding dispute resolution involving a neutral third party who tries to help the disputing parties reach a mutually agreeable solution.” It is a last ditch effort to settle the dispute amicably on the parties’ chosen terms, rather than having an arbitrator make the decision for them.

In order to maximize the value of mediation, there are several guidelines you should follow:

1. **Pick an experienced mediator.** Without a good mediator, you’re not going to settle the case. Your mediator should be an attorney that is an experienced construction lawyer, as well as an experienced mediator. One benefit of mediation is that the mediator, unlike a judge in a courtroom, knows construction. She should know what change orders and back charges are and how they work. As an experienced mediator, she should know how to move each side closer to settlement by bringing to light the strengths and weaknesses of each party’s case.

2. **Be prepared.** Exchange all possible information with the opposing party prior to mediation. Time at mediation should be spent negotiating, not reading the latest case on the enforceability of pay-if-paid clauses. Exchanging all the relevant information and documents with one another and the mediator, in advance of mediation, can help you spend time productively so that you may maximize the likelihood of settlement.

3. **Bring the decision-makers.** Even if you think there is little chance of settlement, there should be at least one person present from each side with the authority to settle the case so that the chances of settlement are absolutely maximized. Additionally, although the best outcome of mediation is a settled case, there are other benefits to the meeting, including additional fact-finding and narrowing of the dispute. If the company’s decision maker is not present, it is very difficult to derive any benefit at all from mediation. Lastly, if it is important enough to send your attorney, your company decision maker should be there too.

4. **Be reasonable.** In addition to being respectful to the opposing party, don’t negotiate numbers that are far out of the range of potential agreement. Doing so is an unproductive waste of time, and it strains on the parties’ patience. Studies show that the negotiator who makes the first reasonable offer is the party who will “anchor” the negotiation in his favor, not only at the moment the offer is made, but also throughout the negotiation.

As less and less cases go to trial due to the expense of legal fees, it is critical that we make productive use of mediation. Many people do not come prepared, or send their project manager to the mandatory mediation because they think settlement is impossible. By following these guidelines before and during the mediation, you maximize your chance of settlement and mitigation of your losses.

**Lawrence Law** is a full-service business law firm with a focus in the construction industry. Kate advises contractors on issues surrounding contract review and negotiation, employment matters, and construction litigation. Kate Lawrence can be reached 443.595.7529 or at kate@lawrencelawmd.com.

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**Don’t Miss - Exit Planning Strategies: How To Get Real Value For Your Construction Company**

February 17, 2015 @ 7:00 am – 9:30 am  
The Ashland Cafe  
10810 York Road  
Cockeysville, MD 21030  

Click Here For More Information!
Continued From Page 15

A fine-tuned approach is going to be necessary to find the best talent in a competitive industry (construction) in a competitive market (Baltimore). By the way, if you know or meet Chris, ask him how he was recruited for his current role at F.M. Harvey.

The post and pray method is less effective than ever for those higher-level positions. Posting a job on a job board may attract a large number of candidates but what percentage of those candidates do you actually want to talk to or are really qualified? Would you consider them rock stars, top talent or people who could fill a position?

Active applicants may respond to the post and pray method. They are actively looking for a position and are responding to as many job openings as they can. This person may or may not be an ideal candidate.

Most of the people we talk to say they want to hire passive talent. Passive talent are those who are already employed. They may be open to talking about new opportunities but know at this point they are vetting you as much as you are vetting them. Most companies are tending to focus on this group and it demands a different approach.

Review your hiring process and increase your chances of finding the right person. Decide you want to appeal to candidates who are good, long-term fits for your company.

Review your job descriptions and your employment branding messaging.

Are you a company someone wants to work for?

Does your job description make sense?

Does your job description identify the type of person you are looking to hire?

Does your job description describe what the person will be doing?

Rewrite your job descriptions so your job description attracts the type of candidate you want to hire. Focus on what you want the candidate to accomplish. Speak to your company culture and be sure you can define and support that culture. Be authentic.

Determine where you should message your job. Consider the infographic below. If you are not using social channels and your employee referrals, you are missing out in a big way. Your website is important and the numbers below reinforce that but if someone is not looking for a new position they may never get to your website. They may however hear about it from LinkedIn, a friend or one of their social networks. If you are not engaging these channels you are not recruiting effectively and will be less competitive in finding good candidates.

Start with LinkedIn, the world’s largest professional network.

- Make sure you and your employees have optimized,
built-out profiles

- Build a LinkedIn Company Page to highlight your company, share job positions
- Join industry Groups and share your job openings
- Coach your employees to share your job opening
- Encourage your network to share your job opening and create introductions
- Proactively search for the person you are looking for and determine how you can reach out to them

When I go to my LinkedIn network and create a quick search for a Project Manager or Estimator within 50 miles of Baltimore I receive more than 6,000 people to review. I can see how I am connected to them, their company, university, industry, and Groups we share. Additionally, with an upgraded membership in LinkedIn I can continue to filter by years of experience, function and seniority.

Why would I wait and hope applicants will find me?

Now I can begin to craft a plan to reach out and let these people know about the open position. More than 70% of LinkedIn’s members say they are open to a new opportunity. After you reach out to them they, in turn, look at you. This is where you, your employees and how your company looks, matter. This is why it’s important that your talent branding messaging is spot on.

Moving from a reactive to a proactive recruiting and hiring approach will, over time, provide a better pool of candidates and potential hires. Using LinkedIn and other social channels is critical to you finding your next hires. How you look on those channels is increasingly important.

There is no time to waste. Now is the time to create the opportunity to find new talent, be competitive in finding the best people and being among a company people want to work for.

Colleen McKenna, Principal of Intero Advisory, helps individuals and companies navigate LinkedIn for business development, recruiting and branding. Over the last 3+ years she and her team have worked with more than 6500 professionals in a wide range of industries. Visit her LinkedIn profile to learn more about her and Intero Advisory.

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Copper Theft
An American Epidemic

In the past 5 years, copper thefts have tripled across the United States causing significant losses and damage to property owners. This is due to the sharp increases in the value of copper in the past 10 years, which has almost doubled. Copper is an attractive target of opportunity for criminals because it is easy to obtain from abandoned or neglected buildings or work sites, it can be easily fenced to scrap yards, it is difficult to trace, and the penalties for getting caught are relatively minor.

From 2010, through 2012, the number of insurance claims for the theft of copper, bronze, brass or aluminum increased 36-percent when compared with the same time period between 2009 and 2011, according to a May 2013 report from the National Insurance Crime Bureau, which tracks metal theft statistics. Ninety-six percent of those claims were for copper alone. According to information from the Department of Energy, copper theft and losses to U.S. businesses costs nearly $1 billion annually.

The value of lost copper alone can be devastating to a property owner, but there are also other tangent costs including additional labor costs to repair collateral damage; water damage stemming from stolen copper pipes; increased costs to ensure the damaged building and its services comply with updated regulations, which might not have applied during initial construction or installation; and lead removal from a property’s exterior, possibly causing water ingestion or triggering the need for regular and comprehensive inspections.

Protection of copper supplies is crucial. Below are a few recommendations for property owners to consider in their security planning.

- **Maintain the Property** – Properties that look abandoned are primary targets for copper thieves. Repair broken windows; keep trees and vegetation trimmed, etc.

- **Improve Lighting** – Ensure adequate lighting around the property and consider timers and/or motion lights in likely avenues of approach. Criminals prefer to operate in darkness.

- **Improve Physical Security** – Dissuade criminals from choosing your property by:
  - Placement of remote monitored cameras. There are many options including wireless systems.
  - Utilization of intrusion detection or motion alarms.
  - Utilization of security guards, patrols, etc.
  - Lock doors, windows, and storage areas where copper is stored.
  - Fence off construction and mobile storage areas.
  - Use perimeter signage to warn would be criminals it is a controlled or secured area and there is physical security which could lead to them getting caught.
    - “This area is patrolled by security.”
    - “Beware of dogs.”
    - “This area is monitored by cameras.”
    - “Trespassers will be prosecuted.”

The key is to dissuade criminals from entering your property by creating a “hard target.” If criminals believe stealing from your property is too risky, they will move on to the next that does not have the same level of security.

Steve Schrimpf is the President of GCS Security Services LLC, an international risk mitigation firm specializing in a wide array of security, consultancy and risk advisory services. He has experience conducting large scale investigations and security vulnerability, criticality and threat assessments for some of our nation’s most critical assets and facilities.

He is currently a Vice Chairman for the American Society of Industrial Security (ASIS) International and a certified Terrorism Liaison Officer working within the national fusion center framework. He is also an active member of Infragard, an FBI led coalition of public and private security professionals dedicated to the protection of critical infrastructure components.
Financial Benchmarking: Simple, Yet Profound

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inancial benchmarking is a fairly simple concept: it is the process of measuring your company’s actual financial results against financial targets. The targets may be your competitors’ performance, industry averages or your strategic goals.

Benchmarking is a powerful tool that can be used to drive the company’s performance to meet the strategic goals of the owners. However, benchmarking is only useful if the goals are well defined. The cornerstone of financial benchmarking lies in determining the goals against which actual performance will be measured. In the words of Yogi Berra, 'If you don’t know where you are going, you are certain to end up somewhere else'. This statement is true in baseball and is equally true for construction contractors. Financial benchmarking can alert management when the company is not on course to meet the strategic goals, enabling management to react accordingly and make the necessary adjustments to bring the contractor back on course.

Companies will need to have specific strategic goals that are quantifiable in order to harness the full power of financial benchmarking. Top management needs to determine which benchmarks are critical to the success of the company and set the financial goals that are attainable. The goals set by the company’s leadership should not necessarily be easily achievable. Goals need to be communicated to the entire organization and reviewed on a continuous rolling horizon; meaning when one quarter ends, another quarter should be added to the planning horizon. This step is imperative and provides management ample time to identify and correct issues or redirect the company and its strategic goals.

Key benchmarks include ratios used by the bond underwriters and creditors. Owners should be asking questions such as: how much revenue do we want to earn next year? What are the company’s revenue goals over the next five years? How can we control our overhead spending? What are the profit goals over the next five years, and how do we plan to achieve this? The questions asked and the answers to these questions will help identify the most important benchmarks to focus on. Setting a quantifiable and attainable goal provides a meaningful measure that to evaluate the actual results against.

Benchmarking ratios are commonly used to evaluate the actual results and the expected results. There are four categories of financial ratios that are typically used in benchmarking: profitability ratios, liquidity ratios, leverage ratios, or efficiency ratios. Each category can provide profound insight into the contractor's performance. The real value of financial ratios comes from the analysis of the critical ratios identified by management. In order to analyze the ratios, it is imperative to consider the ratios over a period of time; this is called trend analysis. Actual ratios should be compared to the prior years’ ratios and the goals that were set for the current year.

Financial ratios should also be compared to competitors and industry averages to measure the performance of the company. Financial benchmarking may indicate that the firm is behind the competition in certain areas or if the company is ahead of the competition. Company leadership must then seek to understand why they are ahead or behind the industry average and identify ways to maintain or increase performance. It is important to note that the competitors and industry selected to use as a benchmark should be similar to the contractor performing the benchmarking. A contractor should consider using contractors that perform similar work and / or perform work in the same geographic region. For example, comparing an excavator working in Maryland to a plumber in North Dakota would be likely be a meaningless benchmark, whereas comparing the Maryland excavator to excavators in Maryland, Pennsylvania and Delaware would likely be more meaningful.

Remember, financial benchmarking is a simple process that can provide profound insights of the contractor’s performance. However, top management needs to take the initiative and set benchmarking goals over an appropriate time horizon. Without a benchmark, how do you know your company is on the right track to success?

Jared A. Bradley, CPA, CCIFP is an Accounting & Auditing Advisor with Stambaugh Ness, PC in York, Pennsylvania. He can be reached at 717.637.7131 or by email at jbradley@StambaughNess.com.
IRS Construction Destruction: Worker Classification

Historically, the IRS has focused on worker classification audits, with random and targeted audit selections of the construction industry. The already multifaceted laws governing the differentiation of “Employee” or “Independent Contractor” is further complicated by the Affordable Care Act’s employer mandate set to be implemented in 2015 that will include expanded enforcement actions by the IRS.

Even if an employer avoids random selection there is still a risk of an audit. Individual workers, competitors or informants alert the Service to possible misclassifications. For example, a worker may file Form SS-8, “Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding,” with the Service. This form requests that the Service make a formal determination of the individual worker’s classification and may trigger a more extensive audit of the employer’s worker classification practices. Forms SS-8 are typically filed by disgruntled former workers seeking Maryland unemployment benefits, current workers filing claims for worker’s compensation, or current/former workers who have been treated as independent contractors and are now facing income tax liabilities due to failure to make estimated tax payments.

The test to determine worker classification varies depending on the nature and purpose of the inquiry. Different facts and circumstances are considered by the Service, the U.S. Department of Labor, the Comptroller of Maryland, and the Maryland Department of Labor, Licensing and Regulation (“DLLR”). A worker may be an independent contractor for purposes of federal employment tax, but classified as an employee for purposes of Maryland unemployment insurance contributions.

In determining worker classification, the Service looks to the common-law rules governing employer-employee relationships. Generally, an employer-employee relationship is found when the business has the right to control and direct the worker with regard to the result as well as the details and means used to reach that result.

The common-law rules evolved into 20 factors to be considered when determining worker classification. These factors consist of the following:

1. Instructions to the worker;
2. Training;
3. Integration into business operations;
4. Requirement that services be rendered personally;
5. Hiring, supervising, and paying assistants;
6. Continuity of the relationship (permanency);
7. Setting the hours of work;
8. Requirement of full-time work;
9. Working on employer premises;
10. Setting the order or sequence of work;
11. Requiring oral or written reports;
12. Paying workers by the hour, week, or month;
13. Payment of worker’s business and/or traveling expenses;
14. Furnishing worker’s tools and materials;
15. Significant investment by worker;
16. Realization of profit or loss by worker;
17. Working for more than one business at a time;
18. Availability of worker’s services to the general public;
19. Employer’s right to discharge the worker; and
20. Worker’s right to terminate relationship with the employer.

No one factor is determinative and not all factors are relevant in every case. Instead, all facts regarding the employer’s right to control the worker are relevant and the final determination will be based on the
employer’s particular facts and circumstances. The Service emphasized the importance of “control” when it organized the common-law factors into three general categories of evidence:

**Behavioral control:** This is the amount of control the business has over how the worker performs the task. Factors include the type and degree of instructions provided to the worker as to when, where and how to perform the work. They also include the amount of training provided to perform the work in a specific manner.

**Financial control:** This is the amount of control the business has over the business aspects of the job. Factors that indicate a worker should be classified as an employee include reimbursed business expenses, little to no financial investment in the job, an inability to seek out other job opportunities, a regular periodic wage instead of a flat fee per job and an inability to realize a profit or loss.

**Type of relationship:** This category looks at the relationship between the parties as the parties perceive it. Evidence illustrating the perceived relationship includes the intent of the parties as evidenced through written contracts, whether employee benefits are provided, the permanency of the relationship and the extent to which the worker’s services are integral to the business.

Generally, if an employer has the *right* to control or direct not only what *is* to be done by the worker, but also *how* it is to be done, then the worker is more likely to be classified as an employee. If, on the other hand, an employer can direct or control only the *result* of the work done, and not the means and methods of accomplishing the result, then the worker is more likely to be classified as an independent contractor.

The Service shares information obtained in employment tax audits with other federal and state agencies. Maryland returns the favor by sharing information developed in its worker classification investigations. As noted, federal and state agencies impose different tests for worker classification, but an adverse finding by any agency can result in the commencement of an employment tax audit by the Service. As a result, employers should take each contact regarding worker classification seriously, regardless of what appears to be the amount at issue in any particular examination.

The exposure for incorrect worker classifications can be severe and broad. If you wish to discuss the Service’s employment tax examinations or other worker classification issues, or simply wish to have your current practices reviewed for potential exposure, please contact Brian J. Crepeau at (410) 649-4981 or bcrepeau@rosenbergmartin.com.

Register Now For The First Direct Connect Of 2015 Co-Hosted With MD AGC! January 27th ~ 5:00 pm - 7:30 pm at Union Jack’s -Columbia.

Plan to attend the pre-networking presentation - Make Benefits Count. Improve Your Bottom Line. provided at no additional charge! Register Now & Save!

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Coming Soon

Thursday, January 22nd – Educational Seminar

*Davis - Bacon Act Workshop*
The Offices of The Prosperity Consulting Group, LLC
800 Red Brook Boulevard, Suite 300
Owings Mills, MD 21117
7:00 – 9:00 a.m.
Sponsor: The Prosperity Consulting Group, LLC

Tuesday, January 27th – Direct Connect & Educational Seminar

*Direct Connect & Educational Seminar - ”Make Benefits Count. Improve Your Bottom Line.”*
Co-Hosted By MCN and our Industry Partner MD AGC at Union Jack”s - Columbia.
10400 Little Patuxent Parkway
Columbia, MD 21044
Seminar: 3:30 – 5:00 p.m.
Presented By The BeneFit Company
Direct Connect Networking: 5:00 – 7:30 p.m.
Sponsors: CBIZ, Gross Mendelsohn, Habitat for Humanity of the Chesapeake, MD AGC, Skillforce, & The BeneFit Company

Wednesday, January 28th – Grand Unveil

*MCN Executive Forum*
Eggspectations
6010 University Boulevard
Ellicott City, MD 21043
7:00 – 9:45 a.m.
Sponsors: Allan Hirsch Advisors & MCN

Tuesday, February 17th – Educational Seminar

*Exit Planning Strategies: How To Get Real Value For Your Construction Company*
The Ashland Cafe
10810 York Road
Cockeysville, MD 21030
7:00 – 9:30 a.m.
Sponsor: Gross Mendelsohn

Thursday, February 26th – Educational Seminar

*An In-Depth LinkedIn Workshop*
The PSA Insurance & Financial Services Suite
11311 McCormick Road #500
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7:30 – 11:45 a.m.
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Premier Concrete has been a member of Maryland Construction Network for over a year. I highly recommend this group for its networking, education and project tours. Every company, large or small, can benefit from MCN membership because MCN consistently provides opportunities to meet new clients.

*Steve Workmeister, Vice President, Premier Concrete, Inc.*

Are You Ready To EXPAND Your Network?
MCN’s March Direct Connect Is Going To Be In Frederick!

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